S. HRG. 100-81

NOMINATION OF NORMA PACE

HEARING

BEFORE THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

NOMINATION OF NORMA PACE TO BE A MEMBER OF THE POSTAL SERVICE BOARD OF GOVERNORS

APRIL 27, 1987

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NOMINATION OF NORMA PACE

MONDAY, APRIL 27, 1987

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 9:36 a.m., in room SD-342, Dirksen Senate Office Building, the Honorable David Pryor, presiding.

Present: Senators Pryor and Stevens.

OPENING STATEMENT OF SENATOR PRYOR

Senator PRYOR. The Committee will come to order.

The purpose of today's full Committee hearing is to receive testimony on the nomination of Norma Pace to serve as a Governor of the U.S. Postal Service. If confirmed, Ms. Pace will fill a seat on the Board of Governors, the term of which runs through 1994.

The Postal Reorganization Act envisioned an important role for the Board of Governors. Title 39 of the U.S. Code provides that "the exercise of the power of the Postal Service shall be directed by the Board of Governors * * *" and charges that "the Board shall direct and control the expenditures and review the practices and policies of the Postal Service.* * *"

The Postal Service is, of course, one of a very few government agencies that touches the lives of almost every one of us on a daily basis. It is important, therefore, that we have the very best at its helm.

The Committee rules require that the Committee conduct an inquiry into the nominee's experience, qualifications and suitability to serve in the position for which the President has nominated the particular individual.

In this case, the Committee has received from the nominee financial statements and detailed information on educational, employment and professional accomplishments. She has also responded in writing to a number of prehearing questions. Copies of the biographical information and prehearing question responses will be placed in the record as a part of this hearing this morning.

The Committee staff interviewed the nominee prior to the hearing. In addition, the Committee has received written opinion letters regarding the nominee from the Office of Government Ethics and the General Counsel of the U.S. Postal Service.

Another of the Committee's rules requires that the testimony taken in connection with a confirmation be taken under oath. So, Ms. Pace, if you would please stand and raise your right hand: Do

you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Ms. PACE. I do.

Senator PRYOR. Ms. Pace, before I ask you for your statement, I would like to call on Senator Stevens from Alaska, who is the ranking member of the subcommittee, for any statement or observation he might wish to make.

Senator STEVENS. Thank you very much, Mr. Chairman. Our ranking minority member of the full Committee, Senator Roth, would like to have a statement entered in the record at this point.

Senator PRYOR. Without objection.

[The opening statement of Senator Roth follows:]

OPENING STATEMENT OF SENATOR ROTH

I am pleased that this hearing is being held today. I have had an opportunity to review the nominee's background and qualifications, and at this time would like to go on record in support of the nomination of Mrs. Pace to the Postal Board of Governors. She is an experienced businesswoman with expertise in analysis and strategic planning. She has a record of success in owning and operating her own company, and her counsel has been sought by several corporations as evidenced by the boards she serves on.

The Board of Governors has a major responsibilty in reviewing issues of great importance to the public—not the least of which involves potential rate increases. I believe Mrs. Pace recognizes the importance of the position to which she has been nominated and will give serious consideration to all issues brought before the board.

I would like to take this opportunity to enter my views on the subject of a postal rate increase into the hearing record.

Less than a year ago, postal officials said a rate increase was unlikely in 1988. Recent indications point, however, to a rate increase request in the next couple of months, if not weeks. Postal rates affect the pocketbooks of virtually every American—and any increase, be it one cent or five cents, must be considered carefully.

Postal Service officials have suggested that an earlier increase may be necessary to meet the increasing demands of their retirement system. I have great trouble with this notion. New labor contracts, increased personnel, construction projects, and delaying the last rate increase are also factors contributing to the potential need for increased revenues. If the postal service needs a rate increase, and I am not at all sure they do, let's at least be clear why.

It must be crystal clear that the new Federal Employee Retirement System saves the Government and the taxpayer money. It does not cost money. In fact, the new FERS plan will reduce the Federal deficit by more than 8 billion dollars during the next five years. Under the new FERS, the normal cost to the Federal Government for an employees retirement has been reduced from 25% to 22.9% of pay. This represents a substantial saving.

Equally important, under the Civil Service Retirement System, the Federal Government provided funds from general revenues to subsidize the Postal Service's retirement needs. The FERS plan requires the Postal Service, as an independent agency, to fund its own retirement system. There is no reason why general tax revenues should be used to fund the retirement costs of the independent Postal Service. To suggest that the new retirement plan is going to cost the American taxpayer more money is to misrepresent the new plan.

The FERS was the culmination of nearly three years of intensive congresssional effort. It will offer employees new options for planning their retirement, like scores of private company programs. In addition, the cost savings are very substantial. Any new responsibility placed on the Postal Service is a responsibility they should rightfully assume.

The Postal Service has run a surplus for four of the last five years. The high standards of service continue, while mail volume grows annually, reaching an all-time high of more than 145 billion pieces, with increased volume, the Service ended the fiscal year with a surplus of more than $300 million.

This surplus, and the favorable fiscal trends experienced during the first part of fiscal year 87, raise concerns over the need for an increase in the near future. Many factors determining the Postal Service's operating expenses, including fuel prices,

overall inflation levels, and cost of living wage adjustments have been smaller than expected during the past year.

Despite these savings, postal officials suggest that the timetable for a rate increase must be moved forward. The original timetable permitted the Postal Service to complete their labor negotiations before contemplating a rate increase. With the labor negotiations just beginning to take shape, I believe it is very important that this timetable be maintained. More than 80% of the Postal Service's operating budget is related to personnel costs—only after the labor negotiations are completed can one accurately determine the future costs of the service.

Another factor would suggest the prudence of waiting. Based on governmentwide estimates, it is assumed that 40% of Federal employees will switch to the new FERS. In terms of the Postal Service, it is assumed this will increase retirement costs in the range of $1.8 billion over the next two years. We must bear in mind that this is simply an estimate, and may be faulty at that. The 40% figure was developed on a governmentwide basis—and not intended in terms of specific agencies and departments. Applying such an estimate to the Postal Service, as well as any individual agency, could be entirely offbase.

Under the new FERS plan, employees will be able to switch to the new plan during a six month open season, from July to December. Only after this window closes, will we have a true picture of the Postal Service's new retirement costs. Considering this, as well as the labor negotiations, it would be prudent for postal officials to wait. Only then, can we get a fair picture of the need for a rate change. If we must have an increase, at least lets be fair in stating why.

Senator STEVENS. I have just met the nominee and our staff has reviewed the same documents that you have referred to and we are pleased to have the hearing at this time.

Senator PRYOR. Ms. Pace, do you have a statement?

Ms. PACE. No, I do not, Senator.

Senator PRYOR. You do not have a statement? Well, this is going to be a short hearing then, but we do have a few questions, or at least I do, and I would like to proceed with a few of those at this time.

TESTIMONY OF NORMA PACE, NOMINEE TO BE A MEMBER, POSTAL SERVICE BOARD OF GOVERNORS

Senator PRYOR. Is there anything in your background that you are aware of that might present a conflict of interest with the duties of the office to which you have been nominated?

Ms. PACE. Not that I know of at the moment, Senator. In accepting positions like this, serving on boards, one always checks possible conflicts of interest, and I could find none for myself.

Senator PRYOR. Could you please then describe your plans to consult on a part-time basis after you leave your position at the American Paper Institute, and could your consulting possibly lead to a conflict of interest or the appearance of a conflict of interest?

Ms. PACE. I am certain that it will not. My consulting will be primarily in the area of economic analysis, long-range planning for in this case a specific corporation, Georgia Pacific, a major manufacturer of paper goods. This is the area in which I have really developed expertise and will do that in the future. Insofar as I know, for the moment I will just have that one client.

Senator PRYOR. Would you, at this time, list and describe the corporations on which you will serve as a member of the Board of Directors while at the same time serving as a member of the Postal Service Board of Governors.

Ms. PACE. I serve on the Board of Sears Roebuck & Company, 3M Corporation, Hasbro Company, A. O. Smith Corporation. I will be

serving on the Georgia Pacific Board, if elected by the shareholders, and the Englehardt Corporation. That is six.

Senator PRYOR. As you know, Sears is a major mail order house, probably one of the largest. Do you see any conflict of interest in serving on this particular board?

Ms. PACE. No, I do not. I recognize that Sears must have a large postal bill. As a member of the Board for fourteen years, I do not think we have ever discussed our postal bill, and I do not see that it would present any conflict for me, no more than the fact that we make paper and that paper prices have to change, that is just part of what the market indicates.

Senator PRYOR. Do you agree to recuse yourself from any proceeding in which you have or would appear to have, for whatever reason, a conflict of interest?

Ms. PACE. I certainly do.

Senator PRYOR. Do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of the office to which the President seeks to have you confirmed?

Ms. PACE. I know of none.

Senator PRYOR. If you are confirmed, do you agree with the reservation to appear and testify before any duly constituted committee of the United States Congress?

Ms. PACE. I do.

Senator PRYOR. Senator Stevens, do you have any questions?

Senator STEVENS. You were with the Paper Institute. Did you know my old friend, Joe Atchison, is he still there?

Ms. PACE. Yes. He is not with the Institute, but he is a consultant and I have worked with him on occasion.

Senator STEVENS. That is nice. He is an old friend who goes back many years.

You are going to remain a member of Sears Roebuck's board?

Ms. PACE. Yes, I will.

Senator STEVENS. They are one of the most substantial mailers in the United States, and I assume you know that?

Ms. PACE. Yes, I do.

Senator STEVENS. Do you think that gives you a conflict of interest on basic questions affecting mass mailers?

Ms. PACE. No, it does not. Though we are very large in the mail order business, it is just part of several businesses that we are now in. Retailing is only a part of what we do. We are in the insurance business and many other businesses, so in terms of the importance of postage itself to Sears activities, it is not that large to in any way influence me.

Senator STEVENS. I do not think we have had a member of the Board of Directors on the board of one of the corporations that I consider to be one of the major mass mailers of the United States before. I agree that you can conduct yourself in a way that would be above reproach. I hope you do keep in mind that problem. Along that line, we understand that the next Board of Governors meeting will vote on whether or not to file an application for a rate increase with the Postal Rate Commission. Are you informed of that?

Ms. PACE. I am informed that that will occur. I do not know the specifics of the reasons why that is being requested, but I would

say that in looking into the situation casually at least, I would probably vote in favor of such a review.

Senator STEVENS. Well, I commend your reading a statement made by our distinguished Senator from Delaware, the ranking member of this Committee who could not be here today. It is the initiation of a rate case that we are talking about and, of course, there is a Postal Rate Commission that is given the duty of reviewing an application from the Board of Governors. That will take place in May. Do you think you will know sufficiently the facts of the situation to make that decision at this time?

Ms. PACE. Well, if I do not I would just excuse myself from voting on the issue. That would be the thing to do. It is so early, my understanding is that the Service meets in early May. I do not know when I will be eligible to be there, so I would have to say that unless I knew the facts very clearly and understood them well, I might excuse myself on that decision.

Senator STEVENS. Well, I urge you to review it. I am not one who believes in trying to extract any commitment from a nominee or to influence that decision in any way, but there are many of us who believe that until the Postal Service has defined its basic requirement which is the cost of labor, it should hold back on requesting a rate increase. The labor negotiations are going on at this time, do you realize that?

Ms. PACE. I realize that. It has been announced and I have seen that, yes.

Senator STEVENS. Thank you very much. It is nice to see you here.

Ms. PACE. Thank you.

Senator STEVENS. I would be happy to support Ms. Pace's nomination.

Senator PRYOR. Thank you, Senator Stevens.

Ms. Pace, how did you become interested in this? Was this something you sought out, or was this a position that you were called about, or did someone submit your name without your knowledge.

Ms. PACE. My name was submitted and I was called and asked if I would be interested in serving as Governor, and I agreed.

Senator PRYOR. I never know how these things might get percolating. I bet Senator Stevens knows all about that kind of thing, but I really do not.

Senator STEVENS. I have to tell you, Mr. Chairman, I have been on this Committee now since 1968, and no one has ever consulted me in advance concerning the nominee to the post of Postal Governor, so I do not know how the powers that be locate people such as Ms. Pace. I thank the good Lord that they do, though, because if we did not have people like Ms. Pace we would have to go back running the Postal Service again ourselves and those were hectic days as far as I was concerned.

Senator PRYOR. Ms. Pace, a couple of years ago, the Grace Commission recommended the closing of about 12,000 smaller post offices. Early this year, the Heritage Foundation called for the privatization of our postal system. How do you feel about these proposals?

Ms. PACE. Well, as far as the privatization is concerned, Senator, I would have to study that very, very carefully. I certainly have no disposition to move in that direction at the present time.

As far as closing local post offices, I live in a small rural area which probably would be affected by that decision, but again I think that that must rest on the whole question of how we make the Postal Service efficient, and if that is what we must do, then some of us must pay that price.

Senator PRYOR. I know that the closing of any rural post office, as in the rural areas of my State of Arkansas, is an extremely traumatic event. The post office is the center of some of our smaller communities. I should think this would certainly be the case in Senator Stevens' State, the State of Alaska.

How do you characterize or envision your role as Member of the Board of Governors of the U.S. Postal Service? How would you envision your role in the day-to-day management? Would you see yourself there in that role to set all policy or to get involved on a day-to-day basis and utilize what some call macro management techniques?

Ms. PACE. No, I do not think the Board of Governors can function effectively if it gets into day-to-day management decisions. I think if the Board spends its time making certain that the proper controls are in place, the proper procedures are in place, the proper incentives and motivations are in place, it can then rely on the management to implement all of those policies.

But I think it would be wrong for a Board member to inject herself into the management process, because I think that would reduce the efficiency. This question arises even as a member of a board of directors of an individual company. You always have to ask yourself, well, when am I stepping into managing, rather than directing and monitoring, which is really what my function is.

Now, I will also say that if you find a situation that needs correction, where some more active role needs to be played, then that will be done. But basically, the prime responsibility of the Board is to ensure that the management is functioning in the best interests of everybody concerned, whether that is the customer, the public, the workers, that is what the prime responsibility of the Board is.

Senator PRYOR. But, you would—let us say if the Postmaster General, Mr. Tisch, took a position that you thought was wrong—would have no hesitation about opposing that position, is that correct?

Ms. PACE. I certainly would not.

Senator PRYOR. Some people believe that the Board of Governors is merely a rubber stamp of the Postmaster General. Would you envision yourself being a rubber stamp?

Ms. PACE. Well, I hope I never have been, Senator. I do not believe I have that temperament at all. I think we have to listen to the management, to what the management proposes, but most importantly I think we have to analyze it and put it within a framework of is this in the best interests of the institution, and if that answer does not come out positive, then those recommendations must be questioned.

Senator PRYOR. Postmaster General Tisch appeared before the Appropriations Committee some weeks ago, and he stated that he

had selected an individual, an IBM executive, to fill one of the Governor vacancies. This gave me cause for concern, because I did not know that the Postmaster General's role was to fill vacancies of those who compose the Board that directs him in policy matters. How do you assess that?

Ms. PACE. Well, I know that I should not use the private sector too much to illustrate the situation, but in private corporations we often work with a nominating committee and the management itself is part of that nominating committee because in the long run the management must get along with its board of governors, a management will want the best. The problems are becoming so difficult that managers want the best board that they can get, but on the other hand the way the post office has received its appointments, I do not think they always do come from the Postmaster General, but I see nothing wrong with the recommendation being made and then a review of that recommendation.

Senator PRYOR. There are rumors that the administration has given tentative approval to a Postal Service legislative proposal, which if accepted, would lift the cap on postal borrowing and would allow the Postal Service to enter the commercial market. This comes a little more than one year after the Board approved a $5 billion-plus capital investment plan. Do you have a view on the Postal Service embracing the borrow and buy trend?

Ms. PACE. I do not have any view on that. I would have to study the reasons why the recommendation was made and whether there is any validity to those reasons.

Senator PRYOR. Senator Stevens just asked you about the proposed postal rate increase. Ms. Pace, if you are confirmed and sworn in on May 4, you are going to be faced with a management proposal to seek recommendation from the Postal Rate Commission on an across-the-board rate increase.

Do you believe you will be qualified at that time to vote as a member of the Board of Governors? Will you be up to speed, or will you recuse yourself, or will you participate in that decision?

Ms. PACE. I think I would try to participate in that decision if I felt I was up to speed on all of the forces in it. Those forces would primarily be what the cost pressures are in the system and what they are suggesting needs to be done to keep the system viable. So it all depends on my timing, how much I can learn in the meantime, and if I feel that my vote would be from ignorance and not knowledge, I would certainly not participate in it.

Senator PRYOR. If you are participating in the decision on whether or not to go forward with a proposal to raise the postal rates across-the-board, and that would mean third class, mass mailers, the whole business, and one day at a Sears board meeting the chairman of the board says, "Ms. Pace, you know, you've got a big question coming up that affects this company," what are you going to say to the chairman of the board or to the president of Sears if he asks you about your position?

Ms. PACE. Well, I would say that within the normal recourses that the chairman has, he can make a statement to the Commission, he can present his case and the Commission would have to take that into account as well as other forces, and that as a

member of the Board I would be governed by the Commission's recommendations and analysis.

Senator PRYOR. Senator Stevens, that is all I have.

Ms. Pace, you have been a very good witness. One more question, if I may: In your response to the prehearing questions, you stated that, "The dialogue between the Congress and the Postal Service should be confined to the major issues and involve a reasonable expenditure of time." Could you expand on this or do you think that the range of issues examined by the Congress in the past fit your criteria of what is major and worth the time of the parties involved?

Ms. PACE. Well, I believe all of us have a great responsibility to have this institution function effectively and reliably and at the least cost to all of the users, and therefore I believe that we have common cause and we should communicate with each other, and any questions that the Congress feels it wants to ask it has a right to ask. But we get into the real question of who is managing and who is directing and that is what I was really addressing myself to. So long as we know that a Board member is here to simply review and make certain that the management procedures are functioning efficiently, that is fine, we can talk at length about that. I was just saying that the questions of getting into detail, such as the one you raise about Sears' postal bill, that is a detail we really do not discuss because it is not the basic concern of the Board.

Senator PRYOR. I think there is somewhere between 700,000 and 800,000 employees in the postal family. This is not a question, it is a request; and I hope you will take it under consideration, assuming you are confirmed and are in this position. As a Member of the Board of Governors, would you consider going out from time to time and listening to some of these employees?

I will bet you of the 675,000 postal employees, less than 2,000 have ever met a Member of the Board of Governors or even know who the Board of Governors might be. I certainly hope there will be a little more outreach from this end of the postal bureaucracy and trying to go out and listen to their problems, their concerns. I think it would help morale. It would truly give you as a new member, assuming you are confirmed, some good input; and I think it would be beneficial to the Postal Service as a whole.

Ms. PACE. Thank you, Senator. That is an excellent suggestion. It is very consistent with my own philosophy. I do believe in communication, very active communication, between management and workers, and I will certainly personally do that because it is something I enjoy doing and I do travel a lot, so I will have the opportunity to do it wherever I go. I drop in at a Sears store and I will go to the local post office and enjoy having that opportunity.

Senator PRYOR. Well, I might suggest that sometime you think about going to Senator Stevens' State and picking out a little fishing village, with a little post office there, and Senator Stevens and I will go along with you and maybe we will catch a fish.

Senator STEVENS. Mr. Chairman, I was going to interrupt and say the Board has gone to Alaska, but we managed to get Postmaster General Bolger there in the wintertime. As a matter of fact, when Postmaster General Bolger was in Alaska we took him up to Prudhoe Bay. My assistant, Wayne Schley, went with us and as we

got off the plane the windchill factor indicator said −99°. Now, the only trouble was that it took me two years to tell Postmaster General Bolger that that was the limit of that gage and that it was actually colder than that. We did not want him to know that it could go any lower than −99°.

I want you to know, Mr. Chairman, we have tried for many years to encourage the Members of the Board to go to individual post offices and to see problems first hand. It is a worthwhile experience.

Ms. PACE. Senator, you would be pleased to know, when I served on the Commission for Employment Policy, we did meet up in Alaska and did review the employment situation up there, so outreach is something we have done a great deal of in that Commission.

Senator STEVENS. Very good.

Senator PRYOR. Anything else?

Senator STEVENS. I just would like to say that it seems to me that there is a great tendency now on some boards formed by the Congress and the Federal Government to want to get into day-to-day management. I am pleased to hear your comment. We are having a small problem right now with the Thrift Board that was organized by the last Congress in managing the retirement fund of Federal employees, and some of them seem to be traveling in the direction that some former members of the Postal Board did.

At one time, we found that the Postal Board's office was demanding that all mail and communications that were to go to the Postmaster General would have to go through the Board's office first. We did not say much about that at the time, but that was stopped.

I do really appreciate hearing you describe your attitude concerning the board of directors and the fact that there are policymakers and people who search out problems and try to help management, rather than try to substitute management on a day-to-day routine of an entity that is now if we put it on the big board, it would be number two in the United States as far as size and cash flow and employment.

I think that this is a very challenging job you have ahead of you. I am delighted to hear you say you are going to approach it as it was another board of directors for a major corporate entity, which is what I think it really is.

Thank you very much.

Senator PRYOR. Thank you, Ms. Pace.

Ms. PACE. Thank you.

Senator PRYOR. The meeting of the full Committee will now be adjourned.

[Whereupon, at 10:02 a.m., the Committee was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

A. Biographical Information

1. Name: Norma Pace

2. Position to which nominated: Governor, United States Postal Service

3. Date of nomination: January 26, 1987

4. Address: (List current place of residence and office addresses.)

   Residence: Route 112, Lakeville, Connecticut 06039
   Office: The American Paper Institute, 260 Madison Ave., New York, N.Y. 10016

5. Date and place of birth: September 20, 1921 - New York City, New York

6. Marital status: (Include maiden name of wife or husband's name.)

   Married - Angelo Pace

7. Names and ages of children: None

8. Education: List secondary and higher education institutions, dates attended, degree received and date degree granted.

Cathedral High School	1933 - 1937
Hunter College - B.A.	1937 - 1941
Columbia University	No degree

9. Employment record: List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.

National Safety Bank and Trust Co. New York, N.Y.	Clerk	7/41 - 2/42
Econometric Institute New York, N.Y.	Junior Economist	2/42 - 12/44
U.S. Economics Corp. New York, N.Y.	Director of Research Treasurer President	1/45 - 1/71
Merrill Lynch New York, N.Y.	Vice President	1/71 - 10/73
American Paper Institute New York, N.Y.	Senior Vice President	10/73 - To Date

A. Biographical Information - Continued

10. Government experience: List any advisory, consultative, honorary or other part-time service or positions with Federal, State, or local governments, other than those listed above.

Commission on Executive, Legislative and Judicial Salaries - 1974
Pay Advisory Committee of the Council on Wage and Price Stability - 1979 to 1980
National Commission on Employment Policy - 1982 to 1986
Unitary Tax Task Force - 1983 to 1984

11. Business relationships: List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, or other business enterprise, educational or other institution.

Current:

Director	Vulcan Materials Corp # 1 Metroplex Drive, Birmingham, Alabama
Director	Sears Roebuck & Co. Sears Tower, Chicago, Illinois
Director	A.O. Smith Corp. 11270 Park Place, Milwaukee, Wisc.
Director	Minnesota Mining & Manufacturing 3M Center, St. Paul, Minn
Director	Hasbro Industries 1027 Newport Ave., Pawtucket, Rhode Island
Director	U.S. Chamber of Commerce 1615 H Street, N.W., Washington, D.C.
Director	Catalyst 250 Park Avenue South, New York City
Trustee	Committee for Economic Development 477 Madison Avenue, New York City & 1700 K Street, N.W., Washington, D.C.
Director	Academy of Political Science New York City

Former Affiliations:

Director	Sperry Corporation 1290 Avenue of the Americas, New York City
Director	American Broadcasting Companies 1330 Avenue of the Americas, New York City
Director	Chase Manhattan Corporation 1 Chase Manhattan Plaza, New York City

A. Biographical Information - Continued

12. Memberships: List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable and other organizations.

National Association of Business Economists
Forecasters Club
Academy of Political Science
Metropolitan Museum of Art
Columbia University
Inner-City Scholarship Fund

13. Political affiliations and activities:
a) List all offices with a political party which you have held or any public office for which you have been a candidate.
b) List all memberships and offices held in and services rendered to political parties or election committees during the last 10 years.
c) Itemize all political contributions to any individual campaign organization, political party, political action committee, or similar entity of $50 or more for the past 10 years.

None

14. Honors and awards: List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals and any other special recognitions for outstanding service or achievements.

Honorary Degrees: Michigan Technological University
Grove City College
City University
Cedar Crest College
Polytechnic University

15. Published writings: List the titles, publishers, and dates of books, articles, reports, or other published materials which you have written.

Mostly articles relating to forecasts, forecasting techniques and management efficiency.

16. Speeches: Provide the Committee with two copies of any formal speeches you have delivered during the last 5 years which you have copies of and are on topics relevant to the position for which you have been nominated.

None that are relevant to the Postal Service.

A. Biographical Information - Continued

17. Selection:

a) Do you know why you were chosen for this nomination by the President?

Prior experience in government commissions and in business administration.

b) What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment?

Experience in administration, particularly as a member of the board of eight major U.S. corporations.

c) Were any conditions, express or implied, attached to your nomination?

No.

d) Have you made any specific commitments with respect to the basic policies and philosophy which you will follow in the position to which you are nominated? If so, please describe those commitments.

Only to learn the challenges in the position and apply my skills to those challenges.

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

B. Future Employment Relationships

1. Will you sever all connections with your present employers, business firms, business associations or business organizations if you are confirmed by The Senate?

   No.

2. Do you have any plans, commitments or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, explain.

   Continue my present associations.

3. Do you have any plans, commitments or agreements after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization?

   Not applicable.

4. Has anybody made a commitment to employ your services in any capacity after you leave government service?

   No.

5. If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable?

   Yes.

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

C. Potential Conflicts of Interest

1. Describe all financial arrangements, deferred compensation agreements, and other continuing dealings with business associatess, clients or customers.

Have several deferred compensation arrangements with present employers.

2. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

None.

3. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

None.

4. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration and execution of law or public policy.

Tax Reform Legislation

5. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Please provide a copy of any trust or other agreements.)

Do not have any.

6. Do you agree to have written opinions provided to the Committee by the General Counsel of the agency to which you are nominated and by the Attorney General's office concerning potential conflicts of interest or any legal impediments to your serving in this position?

I do.

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

D. Legal Matters

1. Have you ever been disiplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

   No.

2. Have you ever been investigated, arrested, charged or held by any Federal, State, or other law enforcement authority for violation of any Federal, State, county or municipal law, regulation or ordinance, other than a minor traffic offense? If so, provide details.

   No.

3. Have you or any business of which you are or were an officer ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

   No.

4. Have you ever been convicted (including pleas of guilty or nolo contendre) of any criminal violation other than a minor traffic offense?

   No.

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

   None.

PRE-HEARING QUESTIONS FOR NOMINEE
NOPMA PACE
GOVERNOR, POSTAL BOARD OF GOVERNORS

I. NOMINATION PROCESS AND POTENTIAL CONFLICTS

1. Were any conditions, expressed or implied, attached to your nomination to be a Governor of the United States Postal Service?

None.

2. What commitments have you made with respect to the policies and programs you will attempt to implement as a Member of the Board of Governors?

None.

3. Are there any issues involving the Postal Service from which you may have to disqualify yourself? If so, please explain.

None that I know of.

4. Did you actively seek this nomination? Explain.

No.

5. Why do you feel you are qualified to be a member of the Board of Governors and what contribution do you feel you can make to the Postal Service as a member of the Board?

As a member of the board of directors of several major companies in the U.S., I have evaluated and participated in many major decisions involving capital expenditures, labor policies and other significant management issues. I have been a practicing business economist since 1942 and during that period have advised companies in many different industries on changing markets and economic forces and how these changes affect planning and future business.

I have an extensive background in organizing and analyzing information relating to marketing, financial and general operations.

POSTAL SERVICE RESPONSES

II. RESPONSIBILITIES OF THE BOARD OF GOVERNORS

1. What is your view of the role of the Board of Governors of the Postal Service? What do you believe are its most important functions and responsibilities?

The Board of Governors operates in a manner similar to the Board of Directors of a corporation. It ensures that management decisions are in the best interests of users of the product and service; that labor relations are sound and consistent with both productivity needs and worker morale; and in this case, because of the public service nature of the Postal Service, that the operations are consistent with the needs of the public. Meeting these objectives means that a reliable, efficient and broadly available service at the least possible cost is provided to the public.

2. How do you view the relationship of the Board of Governors to the Postal Service and, specifically, to the Postmaster General?

The Board of Governors directs the policies and practices of the Postal Service which are implemented by the Postmaster General and the management group. The Board is involved in the appointment of the Postmaster General and must accept full responsibility for the effective functioning of the Postal Service.

3. How do you view the relationship and responsibilities of the Board of Governors to the President, the public and the Congress?

The Board of Governors is appointed by the President with the advice and consent of the Senate. The Board is consequently responsible to the President, and the Congress, as well as to its prime customers, namely the Public, for the performance of the Postal Service. There should be as much communication as needed to ensure that all major matters of concern to the President, the Congress and the Public are made known and shared.

4. How do you view the respective roles and the relationship between the Board of Governors and the Postal Rate Commission?

The Postal Rate Commission was established as an independent entity to recommend changes in postal rates and classifications for adoption by the Board of Governors. This organizational form appears to be efficient in that it delegates the responsibility for assessing rate and classification changes to a group that can effectively spend its time in hearings and the review of the positions presented by various interested parties.

POSTAL SERVICE RESPONSES

III. POSTAL REORGANIZATION

1. Various proposals have been made to increase the accountability of the Postal Service to the Congress including Presidential appointment of the Postmaster General or the Chairman of the Board of Governors. How do you feel about these proposals?

   I have not yet studied these proposals carefully. I feel that a well selected Board of Governors which understands its full responsibilities and accountability can make the appropriate appointments and ensure accountability to both the President and the Congress.

   I would have to study more carefully the matter as to whether the appointment of the Postmaster General or Chairman of the Board of Governors should be made by the President. At present I am inclined to feel that the present system, if implemented properly, can provide the desired result. It is comparable to the organizational procedures in the private sector.

2. The Postal Rate Commission is a unique regulatory agency in that it does not have final decision-making responsibility with respect to most matters brought before it. As you know, this responsibility rests with the Board of Governors of the Postal Service. Do you believe that this arrangement should be maintained? If so, why?

   I believe this arrangement is a sensible one and should be maintained. The Board of Governors has the ultimate responsibility for review of the management of the Postal Service. It is involved in many decisions that influence costs. Consequently, approval of rate and classification changes which affect the flow of revenues into the Postal Service should also rest with the Board. The efficient functioning of the Postal Rate Commission is vital to the success of the process. By reviewing and evaluating the views of all interested parties, the Postal Rate Commission's work should ensure a balanced approach to rate and classification changes. The Board's final decision on these changes must give full weight to the analyses and recommendations of the Rate Commission including the cost pressures in such determinations.

   Experience with the system may reveal serious limitations in the process which would require change. I know of none at the present time, however.

3. Would you recommend any changes in the role and responsibilities of either the Postal Rate Commission or the Board of Governors?

   No, unless further exposure and experience with the existing system suggests such changes are warranted.

POSTAL SERVICE RESPONSES

IV. POSTAL SERVICE OPERATIONS

1. To what extend do you view the Postal Service as public service appropriately financed out of the United States Treasury?

The goal of reorganization was to make most users of the mail services pay for the costs. This objective would provide good discipline in the management of the postal service.

At the same time, we have to recognize the public service nature of mail delivery and the concept of "full user fees" may have to be modified for short periods of time. However, in the long run, rates and other arrangements that affect revenues must be attuned to costs or else the discipline is lost. This need not involve rate increases alone - decisions regarding the effective use of equipment and new technology, as well as labor, can help hold down costs.

As a governor I would feel a great responsibility to the Public in the matter of costs of mail service that are provided.

POSTAL SERVICE RESPONSES

V. RELATIONS WITH CONGRESS

1. What suggestions do you have for strengthening the relationship of the Board of Governors to the Congress. Do you believe that this is necessary?

Congress is affected by the decisions of the Board of Governors, the Postmaster General and all who are responsible for the effective operations of the Postal Service. Inferior and costly services are the source of many complaints to Congress. Consequently, there should be open and frequent communications between Congress and the appropriate representatives of the Postal Service so that each can be apprised of the other's concerns and actions. Such dialogue should, however, be confined to major issues and involve a reasonable expenditure of time.

2. Do you agree without reservation to respond to any reasonable request or summons to appear and testify before any duly constituted Committee of the Congress?

Yes.

United States
Office of Government Ethics
P.O. Box 14108
Washington, D.C. 20044

APR 22 1987

Honorable John H. Glenn, Jr.
Chairman
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Under the Ethics in Government Act of 1978 ("the Act"), Presidential nominees requiring Senate confirmation who are not expected to serve in their Government positions for more than 60 days in a calendar year are not required to file public financial disclosure reports. The Act, however, contains a provision in Section 201(b) which allows the Committee holding the confirmation hearing to request any additional financial information it may wish from the nominee.

You stated in your letter of February 22, 1983, that your Committee wishes to receive the financial disclosure report (SF 278) of any Presidential nominee for whom your Committee holds a confirmation hearing, along with a written opinion from this Office regarding any possible conflict of interest.

Pursuant to this request, I enclose a copy of the financial disclosure report of Norma T. Pace, who has been nominated by President Reagan as a Governor of the Postal Service. Because Mrs. Pace is not expected to serve more than 60 days in any calendar year, the enclosed report and this letter are submitted to you in accordance with your Committee's confirmation procedures and will be available for public inspection only to the extent provided for by your practices. There is no authority under the Act for public release of this material by the executive branch.

We have reviewed the report and have obtained advice from the Postal Service concerning any possible conflict in light of it's functions and the nominee's proposed duties. Based thereon, we believe that Mrs. Pace will be in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

David H. Martin
Director

Enclosure

GENERAL COUNSEL
Law Department
Washington DC 20260-1100

March 31, 1987

Honorable John Glenn
Chairman
United States Senate Committee
on Governmental Affairs
Washington, D.C. 20510-6250

Dear Mr. Chairman:

This responds to your letter of February 18, 1987, requesting our opinion regarding potential conflicts of interest or legal impediments to the service of Norma Pace as a Governor of the Postal Service. In our opinion, the information furnished to you by Ms. Pace discloses no legal impediment to her serving as a Governor. There are, however, two potential conflicts of interest to keep in mind so that they may be avoided.

Ms. Pace is the beneficiary of a trust that owns stock in McGraw-Hill, Inc., and in the Times-Mirror Company. Each is a major company in the communications and publishing business and makes substantial use of the mails. For reasons that we discuss below, we do not think that her beneficial interest in these companies, by itself, creates a conflict of interest. In recent years, however, both companies have been parties to proceedings before the Postal Rate Commission which have eventually come before the Governors of the Postal Service for final decision. If either company were to become a party to such a proceeding while Ms. Pace, as a Governor, had an interest in its stock,, a conflict might arise. Neither company is currently a party to such a proceeding, however, and the possibility that either will become one during the term for which Ms. Pace has been nominated is speculative. If this situation were to come about, it might be resolved in any one of several ways. Ms. Pace might, for example, recuse herself from participation in the proceeding or the trust might divest itself of the stock.

In our opinion, none of the firms in which Ms. Pace has an interest would pose a risk of a conflict solely because of its use of the mails. Congress, knowing that use of the mails is virtually universal, could hardly have intended, in establishing a board with nine part-time Governors who were expected to have

other employment, that every financial connection with a firm using the mails would prevent a Governor from participating in ratemaking, one of the board's most important functions. It follows that only ties with a firm having some unusual level of use of or dependence upon the mails should disqualify a Governor from such a role. This conclusion is consistent with the generally accepted construction of 18 U.S.C. §208, the relevant conflict of interest statute, that an effect of a matter in which an official participates which is shared generally by the public or by the business community does not create a disqualifying interest.

In determining whether a firm has reached this critical level, we would consider the percentage of revenues spent on postage, the degree to which the firm depends on the mails for its advertising and for the distribution of its products, the availability of alternatives to the mails for advertising or distribution, and the diversification of the firm's use of the various classes of mail and other postal services. Measured by these criteria, only three of the firms in which Ms. Pace has a financial interest would seem even to approach this level.

Ms. Pace is a stockholder in, and serves as a director of, Sears, Roebuck & Co. Because Sears is widely thought of as a mail order house, perhaps these ties might suggest at least the appearance of a conflict. But the suggestion would not withstand analysis. Sears' use of the mails is neither unique nor, given its size, unusually extensive. Sears is a very large and diversified corporation; reportedly it is the largest retailer in the United States. Its annual expenditure for postage, although substantial, amounts to only a small fraction of its revenues. For 1985, the latest year for which information is available, expenditures for postage were estimated at less than 0.5% of revenues.

Similarly McGraw-Hill, Inc., and Times-Mirror Company, although publishers who might be supposed to be dependent upon 2nd Class or Special 4th Class (book) rates, neither make exceptional use of any one class of mail nor devote any extraordinary amount of their revenues to postage costs. Should either of these firms again become a party to a proceeding that would come before the Governors, as noted above, a clear conflict would arise. But that would be based on entirely different principles, viz., that the ownership of stock would create a conflict with the duty of impartiality as a decision maker and the basic notion that one should not be the judge of one's own case. We see no conflict, either real or apparent, arising solely from either firm's use of the mails.

We have considered several other instances in which companies with which Ms. Pace has ties have dealings with the Postal Service, but we have concluded that they pose no real

threat of a conflict. Ms. Pace is a depositor with, and a beneficiary of a trust administered by, Chase Manhattan Bank. She owns stock in the parent company of Chase Manhattan and another bank and is a depositor in a third bank, all of which serve as depositories for the funds of a number of individual post offices. Ms. Pace has interests, through beneficial or outright ownership of securities, or through membership on a board of directors, in a number of publicly-owned corporations, such as IBM and 3M Company, which have, and may be expected to continue to have, contracts for the sale of goods or services to the Postal Service. Finally, a corporation affiliated with a real estate investment fund in which she has an interest owns a building in which the Postal Service has leased space for a postal station.

In none of these circumstances do we see a conflict. The Governors' duties do not involve participation in the routine conduct of postal business. Indeed it is unlikely that a Governor would be aware through either postal or private channels of specific transactions of this nature, let alone participate in them. Were the unusual situation to arise in which a matter involving one of these banks or other firms would come before the Board, we would expect Ms. Pace to abstain from voting. We do not, however, think that situation is probable enough even to warrant an advance recusal agreement.

If we can further assist you and the Committee in this matter, we will be happy to do so.

Sincerely,

Louis A. Cox